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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact: _____, ID No. _____

Telephone Number:

Refer Reply To:
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Date:
February 20, 2008

Parent =

Acquiror =

Target =

Third Party Bank =

Third Party Holding Company =

$$\underline{X} =$$

State A =

State B =

Government Agency =

Dear _____ :

This letter responds to your November 14, 2007 request for rulings on certain federal income tax consequences of a proposed transaction. The information submitted in that letter and in later correspondence is summarized below.

Summary of Facts

Parent, a State A corporation, is a bank holding company. Parent is the common parent of an affiliated group that files a consolidated federal income tax return with its subsidiaries, including Acquiror and Target.

Acquiror and Target are State A chartered banks. Parent owns all the stock of Acquiror and Target.

Third Party Holding Company, a State B corporation, is a bank holding company that is unrelated to Parent. Third Party Holding Company owns all the stock of Third Party Bank.

For what are represented to be valid business reasons, Parent wants to combine the operations of Target and Acquiror and sell the bank charter of Target. Government Agency will not permit a State A bank charter to be transferred by itself. Government Agency will approve the proposed sale of the bank charter if it is effected in the manner described below (the "Proposed Transaction").

Proposed Transaction

- (i) Target will transfer to Acquiror all its assets and liabilities, except for Target's bank charter and the minimum capital required by Government Agency to maintain Target's corporate existence.
- (ii) Parent will sell the stock of Target to Third Party Holding Company for a payment of x plus the value of the minimum capital.
- (iii) Parent will transfer to Acquiror the fair market value of the minimum capital.
- (iv) Third Party Holding Company will merge Target with and into Third Party Bank with Third Party Bank surviving.

All of the parties to the agreements effecting the Proposed Transaction have agreed to treat the Proposed Transaction consistently with the requested rulings provided for herein for federal tax purposes.

Representations

In connection with the Proposed Transaction, the following representations have been made:

- (a) Target will issue no stock in the transaction.
- (b) Acquiror will acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by Target immediately prior to the Proposed Transaction. For purposes of this representation, amounts used by Target to pay its reorganization expenses, and all redemptions and other distributions (except for regular, normal dividends) made by Target immediately preceding the transfer will be included as assets of Target held immediately prior to the Proposed Transaction. In addition, for purposes of this representation, the corporate charter and the minimum capital retained by Target will be included as assets of Target held immediately prior to the transaction. The minimum capital will be included in both the numerator and the denominator of the 90 percent and 70 percent tests.
- (c) All transfers of assets and stock described above will occur pursuant to written binding contracts entered into before the Proposed Transaction is undertaken.
- (d) After the transaction, Parent will be in control of Acquiror within the meaning of § 368(a)(2)(H) of the Internal Revenue Code ("Code").
- (e) At the time of the Proposed Transaction, Acquiror will not have outstanding any warrants, options, convertible securities, or any other right pursuant to which any person could acquire stock in Acquiror that, if exercised or converted, would affect Parent's acquisition or retention of control of Acquiror, as defined in § 368(a)(2)(H).
- (f) Except as may be deemed to occur as a result of the recast of the Proposed Transaction under § 1.1502-13(f)(3) of the Income Tax Regulations, Acquiror has no plan or intention to reacquire any of its stock constructively issued in the Proposed Transaction.
- (g) The fair market value of the Acquiror stock constructively received by Parent will be approximately equal to the fair market value of the Target stock surrendered in the exchange.
- (h) At least 40% of the proprietary interest in Target will be exchanged for Acquiror stock and will be preserved within the meaning of § 1.368-1(e).
- (i) Acquiror has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the Proposed Transaction, except for dispositions made in the ordinary course of business.

(j) The liabilities of Target assumed by Acquiror plus the liabilities, if any, to which the transferred assets are subject were incurred by Target in the ordinary course of its business and are associated with the assets transferred.

(k) Following the Proposed Transaction, Acquiror will continue the historic business of Target or use a significant portion of Target's historic business assets in a business.

(l) Acquiror, Target, and Parent will pay their respective expenses, if any, incurred in connection with the Proposed Transaction.

(m) There is no intercorporate indebtedness existing between Acquiror and Target that was issued, acquired, or will be settled at a discount.

(n) No parties to the Proposed Transaction are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(o) The fair market value of the assets of Target transferred to Acquiror will equal or exceed the sum of the liabilities assumed by Acquiror, plus the amount of the liabilities, if any, to which the transferred assets are subject.

(p) The total adjusted basis of the assets of Target transferred to Acquiror will equal or exceed the sum of the liabilities assumed by Acquiror, plus the amount of the liabilities, if any, to which the transferred assets are subject.

(q) Target is not under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

(r) Target will retain only its corporate charter and minimum capital.

Rulings

Based solely upon the information submitted and the representations set forth above, we rule as follows:

(1) For Federal income tax purposes, the Proposed Transaction will be viewed as (i) the acquisition by Acquiror of all the assets of Target (including the bank charter and the minimum capital) solely in exchange for constructive Acquiror common stock and the assumption by Acquiror of the liabilities of Target; (ii) the distribution to Parent by Target of the Acquiror stock in exchange for all of Parent's Target stock in complete liquidation of Target; (iii) the distribution to Parent by Acquiror of the bank charter and minimum capital of Target in redemption of a portion of Parent's Acquiror stock constructively received in (ii) above; (iv) the contribution by Parent of the bank charter and the minimum capital of Target received in (iii) above to the capital of New Target (the "Deemed Contribution") in exchange for the issuance of New Target stock to

Parent; and (v) the sale of all the stock of New Target to Third Party Holding Company (the "Deemed Sale") for x plus the minimum capital.

(2) The acquisition by Acquiror of all the respective assets of Target (including the bank charter and the minimum capital) solely in exchange for Acquiror common stock and the assumption by Acquiror of the liabilities of Target, followed by the deemed distribution to Parent by Target of the Acquiror stock, in exchange for all of Parent's respective Target stock in complete liquidation of Target will constitute a tax-free reorganization within the meaning of § 368(a)(1)(D). Parent, Acquiror and Target will each be "a party to a reorganization" within the meaning of § 368(b).

(3) No gain or loss will be recognized by Acquiror upon the receipt of Target's assets, in exchange for Acquiror stock (§ 1032(a)).

(4) The basis of the assets of Target in the hands of Acquiror will be, in each instance, the same as the basis of those assets in the hands of Target immediately prior to the Proposed Transaction (§ 362(b)).

(5) The holding period of the assets of Target in the hands of Acquiror will include the period during which such assets were held by Target immediately prior to the Proposed Transaction (§ 1223(2)).

(6) No gain or loss will be recognized by Target upon the transfer of its assets to Acquiror in exchange for Acquiror stock and the assumption by Acquiror of the liabilities of Target (§§ 361(a) and 357(a)).

(7) No gain or loss will be recognized by Target upon the distribution of Acquiror stock in exchange for Parent's Target stock (§ 361(c)(1)).

(8) No gain or loss will be recognized to Parent upon the receipt of Acquiror stock in exchange for its Target stock (§ 354(a)(1)).

(9) The basis of the shares of Acquiror stock received by Parent will be the same as its basis in the Target stock surrendered in exchange therefore (§ 358(a)(1)).

(10) The distribution by Acquiror of the Target charter and the minimum capital in redemption of Parent's Acquiror stock will be treated as a redemption to which § 302 applies (§ 1.1502-13(f)(3)).

(11) The distribution of the Target charter and the minimum capital in redemption of Parent's Acquiror stock will not be included in the gross income of Parent. Parent will, however, be required to make a corresponding negative adjustment in the amount of the distribution to its basis in its Acquiror stock under § 1.1502-32 (§ 1.1502-13(f)(2)(ii)).

(12) Acquiror will recognize gain or loss under § 311(b) or § 1.1502-13(f)(2)(iii) from the distribution of the Target charter and the minimum capital in redemption of Parent's Acquiror stock and such gain or loss shall be taken into account under the timing rules of § 1.1502-13 (§§ 1.1504-13(c), 1.1502-13(f)(2)(iii)). With respect to such gain or loss with respect to the bank charter and the minimum capital of Target, such gain or loss shall be taken into account upon the Deemed Sale of New Target. (§1.1502-13(c)).

(13) Parent's basis in the Target charter and the minimum capital will be the fair market value of such assets (§ 301(d)).

(14) The holding period of the Target bank charter and the minimum capital in the hands of Parent will include the holding period of such assets in the hands of Target (§ 1.1502-13(c)(1)(ii)).

(15) Immediately following the Deemed Contribution to New Target, New Target will be treated for federal tax purposes as a new corporation and will obtain a new employer identification number (Rev. Proc. 89-50, 1989-2 C.B. 631; see also Rev. Rul. 73-526, 1973-2 C.B. 404).

(16) Parent's basis in the stock of New Target following the deemed distribution and contribution to capital will be equal to Parent's basis in the charter treated as transferred to New Target (§ 358(a)(1) and § 1.358-1(a)).

Caveats

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

No opinion is expressed or implied about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

The ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. Each taxpayer involved in this transaction should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the transaction is completed. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file in this office, a copy of this ruling letter will be sent to your authorized representative.

Sincerely,

Lewis K Brickates
Chief, Branch 4
Associate Chief Counsel (Corporate)